

**Part 32 – Uniform System of Accounts (USOA) for Class A and Class B Telephone Utilities**

**Docket 05-US-113**

**Commission Staff Comparison of the Public Service Commission of Wisconsin's (PSCW) Current USOA (With Selected Additional Accounts Suggested in Comments Filed by the PSCW) and the Federal Communications Commission's (FCC)**

**Part 32 USOA to be Effective January 1, 2003 – Prepared for Discussion Purposes on July 24, 2002**

<b>Part 32 Section</b>	<b>Section Title</b>	<b>Comment</b>
32.11	Classification of companies	FCC's Class A and Class B classification is based on revenues, whereas PSCW's classification is access-line based.
32.13	Accounts-general	The FCC eliminated paragraph (a)(1) and renumbered remaining paragraphs; FCC's renumbered paragraph (a)(2) allows local exchange carriers (LECs) to establish temporary or experimental accounts without prior notice, whereas the PSCW's requires notice of nature and purpose within 30 days.
32.14	Regulated accounts	PSCW's paragraph (c) notes that investment, expenses and other costs associated with joint provision of regulated and other products and services should be initially accounted for as regulated; PSCW's paragraph (e) also references regulated accounts for joint participation or apportionment between two or more telephone companies; unclear as to whether this varies from FCC's requirements; PSCW's USOA also contains a note stating that LECs subject to FCC jurisdiction may elect to follow FCC accounting for this activity, however, they must also identify regulated and nonregulated amounts as required by the PSCW.
32.16	Changes in Accounting Standards	PSCW's USOA requires revenue requirement study or analysis with notification of intent to adopt an accounting standards change; PSCW's USOA also includes paragraph (c) which specifies that LEC shall notify the PSCW of matters of significance, defined both qualitatively and quantitatively.
32.17	Interpretation of accounts	PSCW's USOA incorporates "matters of significance" definition contained in PSCW § 32.16.
32.19	Address for reports and correspondence	PSCW's USOA does not contain this item.
32.22	Comprehensive Interperiod Tax Allocation	PSCW's USOA contains a note stating that LECs subject to FCC jurisdiction may elect to follow FCC accounting for tax differentials that are phased in.

<b>Part 32 Section</b>	<b>Section Title</b>	<b>Comment</b>
32.23	Nonregulated activities	PSCW's USOA references its § 32.14, as well as accounts 1406, 7130, and 7990; PSCW's USOA contains a note stating that LECs subject to FCC jurisdiction may elect to follow FCC accounting for this activity, however, they must also identify regulated and nonregulated amounts as required by the PSCW; FCC's USOA references accounts 1406, 5280, and 7990, as well as § 32.27, Transactions with Affiliates.
32.24	Compensated Absences	PSCW's USOA requires approval by the PSCW to record entry.
32.25	Unusual Items and contingent liabilities	PSCW's USOA requires prior PSCW approval; dollar thresholds for corrections specified.
32.27	Transactions with Affiliates	PSCW did not previously adopt FCC's § 32.27 because of jurisdiction provided by Wis. Stat. § 196.52; tariff, prevailing price, higher of cost or fair market value (HOCOM), or lower of cost or fair market value (LOCOM) options provided in FCC's USOA; floor and ceiling encompassed in FCC's USOA; \$500,000 threshold for market studies in FCC's USOA; FCC's prevailing price threshold of greater than 25 percent of sales to third parties, except for section 272 activity; FCC's paragraph (f) exempts LECs that settle interstate activity on average schedule basis; PSCW addressed HOCOM in Chibardun Telephone Cooperative's 1090-TI-100 order; PSCW addressed LOCOM and rejected centralized services exception in CenturyTel-Kendall's 2815-TR-103 2001 rate order.
32.101	Structure of the Balance Sheet Accounts	PSCW has not previously adopted account 2007, Goodwill.
32.102	Nonregulated investments	FCC's USOA references §§ 32.14 and 32.23 for joint or common use of assets or resources in provision of both regulated and nonregulated products and services; PSCW's USOA also contains a note stating that LECs subject to FCC jurisdiction may elect to follow FCC accounting for this activity, however, they must also identify regulated and nonregulated amounts as required by the PSCW.

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32.103	Balance Sheet Accounts for Other than Regulated-Fixed Assets to be Maintained	See respective accounts below for PSCW's comments filed with FCC in Comprehensive Accounting Review proceeding.
32.1000 & 2000 series	Assets	Sufficient detail (e.g., account 1402, Investment in RTB Class B Stock amount) must be available in the new USOA for the PSCW to continue to perform small telco equity thin and earnings calculations.
32.1170	Receivables	FCC's USOA retains affiliated and nonaffiliated breakdown in subsidiary record categories; however, FCC's USOA did not isolate telecommunications accounts receivable from other receivables, as suggested by the PSCW.
32.1171	Allowance for doubtful accounts	FCC's USOA retains affiliated and nonaffiliated breakdown in subsidiary record categories; however, FCC's USOA did not isolate telecommunications accounts receivable allowance from other receivables allowance, as suggested by the PSCW.
32.1220	Inventories	FCC's USOA states that items solely related to a nonregulated activity should be accounted for in a different account; the PSCW's USOA specifies that account 1406 should be used for materials and supplies dedicated to nonregulated, with the exception of items held for sale or lease; PSCW's USOA also contains a note stating that LECs subject to FCC jurisdiction may elect to follow FCC accounting for this activity, however, they must also identify regulated and nonregulated amounts as required by the PSCW.
32.1406	Nonregulated investments	FCC's USOA eliminated subaccounts for permanent investment, depreciation reserve, and inventory; PSCW's USOA also prescribes accounting for LECs not subject to dual jurisdiction; PSCW's USOA also contains a note stating that LECs subject to FCC jurisdiction may elect to follow FCC accounting for this activity, however, they must also identify regulated and nonregulated amounts as required by the PSCW.
32.1410	Other noncurrent assets	PSCW had requested that affiliated portion of investments in affiliates and affiliated portion of sinking funds be identified; unclear if FCC's subsidiary record requirement for advances to affiliates covers this.

<b>Part 32 Section</b>	<b>Section Title</b>	<b>Comment</b>
32.2000	Instructions for telecommunications plant accounts	PSCW has not yet adopted consolidation of accounts 2114 through 2116 into 2114, Tools and other work equipment; PSCW's USOA provides that Class B LECs may elect to continue to capitalize items costing between \$500 to \$2,000 provided that verifiable inventory records are maintained; FCC's USOA provides that cost of tools and test equipment located in the central office, classifiable to accounts 2210-2232 costing \$2,000 or less or having a life of less than one year shall be charged to the applicable Plant Specific Operations Expense accounts; PSCW has not yet adopted account 2007, Goodwill; PSCW requires filing and approval of journal entries for acquisitions of plant where consideration is \$100,000 or greater; is calculation of a theoretical reserve for the acquired plant required (per § 32.2005 "reserve requirements" language)?; PSCW's USOA mentions Wis. Stat. § 196.09(1) as it concerns depreciation charges; perhaps reference should be changed to § 196.09(9) due to language changes in 1993 Wisconsin Act 496.
32.2002	Property Held for Future Telecommunications Use	PSCW's USOA requires LEC to request approval to retain property in this account for longer than two years; FCC's USOA allows LEC to retain property in this account for longer than two years as long as it is excluded from rate base and ratemaking considerations.
32.2003	Telecommunications Plant Under Construction	PSCW's USOA requires LEC to reclassify project cost to account 2006, Nonoperating Plant, if project has been suspended for six months or more; FCC's USOA allows LEC to retain project cost in this account as long as it is excluded from rate base and ratemaking considerations.
32.2005	Telecommunications Plant Adjustment	FCC's USOA nets amortization amount in account 2005; FCC's USOA requires approval for disposal of amounts of \$100,000 where not acquired from an affiliated company; PSCW's USOA includes \$10,000 threshold.
32.2007	Goodwill	Although the PSCW has not previously adopted this account, it did support the adoption in comments filed with the FCC.
32.2110-32.2690	All plant accounts	In past USOA orders, the PSCW has required Class B LECs to follow the same accounts as Class A LECs.
32.2114	Tools and other work equipment	The PSCW has not previously adopted the consolidation of former accounts 2114 through 2116 into new account 2114.

<b>Part 32 Section</b>	<b>Section Title</b>	<b>Comment</b>
32.2123	Office Equipment	FCC's USOA eliminated subaccounts for office support equipment and company communications equipment.
32.2212	Digital Electronic Switching	PSCW requested subaccounts for packet and ATM (which represents a compilation of packets); FCC's USOA adopted subaccounts for circuit and packet; FCC did not adopt subsidiary records requirement for main distribution frame, line cards, central processing and features to assist in identification of traffic versus nontraffic sensitive costs, as requested by PSCW.
32.2232	Circuit Equipment	While FCC adopted subaccounts for electronic and optical, PSCW had requested loop and interoffice transport subaccounts to evaluate reasonableness of forward-looking unbundled network element (UNE) costs.
32.2310-32.2362	Various	PSCW had requested loop and interoffice transport subaccounts to evaluate reasonableness of forward-looking UNE costs.
32.2311	Station Apparatus	PSCW USOA would include handicapped customer premises equipment offered under tariff by LECs (perhaps in account 2362); PSCW's USOA also contains a note stating that LECs subject to FCC jurisdiction may elect to follow FCC accounting for this activity, however, they must also identify regulated and nonregulated amounts as required by the PSCW.
32.2321	Customer Premises Wiring	PSCW USOA notes that all customer premises wiring is deregulated and should be classified in other accounts; PSCW's USOA also contains a note stating that LECs subject to FCC jurisdiction may elect to follow FCC accounting for this activity, however, they must also identify regulated and nonregulated amounts as required by the PSCW.
32.2341	Large Private Branch Exchanges	PSCW USOA would include handicapped customer premises equipment offered under tariff by LECs (perhaps in account 2362); PSCW's USOA also contains a note stating that LECs subject to FCC jurisdiction may elect to follow FCC accounting for this activity, however, they must also identify regulated and nonregulated amounts as required by the PSCW.
32.2410-32.2441	Various	PSCW had requested loop and interoffice transport subaccounts to evaluate reasonableness of forward-looking UNE costs.
32.2682	Leasehold Improvements	FCC's USOA nets amortization amount in account 2682.
32.2690	Intangibles	FCC's USOA nets amortization amount in account 2690.

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32.3400	Accumulated amortization-tangible	While the FCC's March 8, 2002 Order on Reconsideration added back this account for Class B LECs, it is unclear whether account 3420, Accumulated Amortization-Leasehold Improvements, is also being added back for Class B LECs since the description for account 3400 references both accounts 3410 and 3420.
32.3000 & 4000 series	Contra Assets and Liabilities	Sufficient detail (e.g., former accounts 3420, 3500, 4020, 4050, 4060, 4210, 4250, 4260, and 4270) must be available in the new USOA for the PSCW to continue to perform small telco equity thin and earnings calculations.
32.4050-32.4060	Current Maturities-Long-Term Debt and Capital Leases	PSCW requested that current maturities remain isolated, although they could be combined into a single distinct account; the FCC has combined these two accounts into account 4130, Other current liabilities, along with other items.
32.4070	Income Taxes-Accrued	PSCW's USOA requires subaccounts for federal and state income taxes.
32.4200	Long term debt and funded debt	The PSCW requested that account 4260, Advances from affiliated companies, remain isolated; it is unclear whether the subsidiary records requirement set forth in paragraph (b) of account 4200 will meet this request.
32.4511	Members Equity	Not adopted by the FCC; pending request by the 11 cooperatives before the PSCW to establish this account.
32.4520	Additional Paid-in Capital	The PSCW's 2001 order in 1090-TI-100 directed Chibardun Telephone Cooperative to reclassify its patronage capital from account 4550, Retained Earnings, to account 4520.
32.4550	Retained Earnings	Pending request by the 11 cooperatives before the PSCW to establish subaccounts 4550.1, Retained Earnings-Patronage Capital Unassigned, and 4550.2, Retained Earnings-Patronage Capital Assigned.
32.4999	General-Purpose of Revenue Accounts (Nonregulated Revenues)	Paragraph (l) has not been previously adopted by the PSCW for LECs not subject to dual jurisdiction or not having an approved cost allocation manual; PSCW's USOA also contains a note stating that LECs subject to FCC jurisdiction may elect to follow FCC accounting for this activity, however, they must also identify regulated and nonregulated amounts as required by the PSCW.

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32.5000 series	Local Revenues	PSCW requested separate accounts for UNE, interconnection, reciprocal compensation, federal universal service fund (USF) support, state USF support, resale, and collocation revenues; FCC did not adopt; however, it did include some of these items in account 5200, Miscellaneous revenue. The PSCW stated that the USF support accounts should contain subsidiary record categories for each type of support mechanism and that the UNE revenue account should contain subsidiary records for each UNE defined in the UNE Remand Order.
32.5081	End User Revenue	PSCW requested that SLC and non-SLC (e.g., USF assessments to end users) subaccounts be provided; the FCC did not adopt.
32.5082	Switched Access Revenue	PSCW requested that flat-rate (PICC) and usage-based subaccounts be provided; the FCC did not adopt.
32.5100	Long distance message revenue	PSCW requested that respective interstate and intrastate amounts should be provided.
32.5200	Miscellaneous revenue	PSCW requested retention of accounts 5230, Directory Revenue, and 5270, Carrier billing and collection revenue, with respective intrastate and interstate amounts provided for the latter account via subaccounts. FCC may have included some items in account 5200 which the PSCW requested be included in the account 5000 series.
32.5280	Nonregulated Operating Revenue	Account 5280 has not been previously adopted by the PSCW for LECs not subject to dual jurisdiction or not having an approved cost allocation manual; PSCW's USOA also contains a note stating that LECs subject to FCC jurisdiction may elect to follow FCC accounting for this activity, however, they must also identify regulated and nonregulated amounts as required by the PSCW.
32.5999	General (Expense Accounts)	The PSCW USOA contains a requirement for maintaining accounting records underlying the expense matrix categories in such detail that the total of the amounts distributed and the distribution is readily available for audit and reporting purposes.
32.6114	Tools and other work equipment expense	PSCW has not yet adopted consolidation of accounts 6114 through 6116 into 6114, Tools and other work equipment expense.

<b>Part 32 Section</b>	<b>Section Title</b>	<b>Comment</b>
32.6212	Digital electronic switching expense	PSCW requested subaccounts for packet and ATM (which represents a compilation of packets); FCC's USOA adopted subaccounts for circuit and packet; FCC did not adopt subsidiary records requirement for main distribution frame, line cards, central processing and features to assist in identification of traffic versus nontraffic sensitive costs, as requested by PSCW.
32.6232	Circuit Equipment Expense	While FCC adopted subaccounts for electronic and optical, PSCW had requested loop and interoffice transport subaccounts to evaluate reasonableness of forward-looking unbundled network element (UNE) costs.
32.6310-32.6362	Various	PSCW had requested loop and interoffice transport subaccounts to evaluate reasonableness of forward-looking UNE costs.
32.6410-32.6441	Various	PSCW had requested loop and interoffice transport subaccounts to evaluate reasonableness of forward-looking UNE costs.
32.6500 series	Expenses	PSCW requested separate accounts for UNE, interconnection, reciprocal compensation, federal universal service fund (USF) support, state USF support, purchased telecommunications service for resale, and collocation expenses; FCC did not adopt. The PSCW stated that the USF support accounts should contain subsidiary record categories for each type of support mechanism and that the UNE expense account should contain subsidiary records for each UNE defined in the UNE Remand Order.
32.6560	Depreciation and amortization expense	PSCW requested retention of former accounts 6561-6565; result of FCC's non-adoption is commingling of various types of depreciation and amortization expense amounts.
32.6610-32.6620	Marketing-Services	The PSCW requested that existing accounts 6611, 6612, 6613 and 6623 and the retail portion of account 6724, Information Management, be combined into a new account titled Retail Services; the PSCW also requested that existing accounts 6621 and 6622 and the wholesale portion of account 6724 be combined into a new account titled Wholesale Services. The FCC has established subaccounts for wholesale and retail in account 6620, Services, for Class A LECs except mid-sized LECs.



<b>Part 32 Section</b>	<b>Section Title</b>	<b>Comment</b>
32.6720	General and Administrative	PSCW's USOA includes discretionary clearing subaccounts for pension and employee benefits, and payroll taxes in former account 6728, Other General and Administrative. Also see notes above concerning PSCW-requested treatment of account 6724.
32.7100	Other Operating Income and Expenses	PSCW requested retention of existing accounts 7110, Income from Custom Work, and 7130, Return from Nonregulated Use of Regulated Facilities; FCC did not adopt.
32.7300	Nonoperating Income and Expense	PSCW requested that existing accounts be retained and account 7350 be renamed to Nonoperating Gains & Losses; former account 7320, Interest Income, is required for PSCW's small telco earnings calculations.
32.7500	Interest and related items	PSCW requested retention of existing accounts 7500, 7510, and 7530, and combination of existing accounts 7520 and 7540 into new account 7521, Other Interest Expense.
32.7990	Nonregulated Net Income	PSCW's USOA contains subaccounts for Nonregulated Revenues and Nonregulated Expenses and is applicable to all LECs; PSCW's USOA also contains a note stating that LECs subject to FCC jurisdiction may elect to follow FCC accounting for this activity, however, they must also identify regulated and nonregulated amounts as required by the PSCW.
32.9000	Glossary of Terms	PSCW's USOA includes definition of "aggregate summary account"; PSCW's USOA does not include definition of "indexed revenue threshold" and the revised definition of "mid-sized incumbent local exchange carrier", which are included in the FCC's USOA.
Other items		Cost allocation methodology; LOCOM/HOCOM studies – list of services; loan guarantees (indirect and direct subsidies); goodwill; "except for retained earnings" tracking (including situations where affiliates are wholly-owned subsidiaries).

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